

Note 17. Leases:

A. ENTITY AS LESSEE:

Capital Leases:

(Dollars in Thousands)

Summary of Assets Under Capital Lease by Category:

(1) Land and Buildings	\$ 154,039
(2) Machinery and Equipment	454
(3) Other	-
(4) Accumulated Amortization	<u>(51,152)</u>
Net Assets Under Capital Lease	<u>\$ 103,341</u>

Description of Lease Arrangements: Capital leases cover land and buildings at FAA's Mike Monroney Aeronautical Center (MMAC) in Oklahoma City, Oklahoma, and at the William J. Hughes Technical Center (WJHTC) located in Pomona, New Jersey. FAA leases the MMAC land and buildings from the Oklahoma City Airport Trust for \$12 million per year. FAA leases various real property, including the WJHTC technical building, from the Atlantic County Improvement Authority for \$4.8 million per year. FAA's capital lease payments are funded annually.

Future Payments Due:

<u>Fiscal Year</u>	<u>Asset Category</u>			<u>Totals</u>
	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	
Year 1 (2000)	\$ 16,182	\$ 194	\$ -	\$ 16,376
Year 2 (2001)	14,823	173	-	14,996
Year 3 (2002)	14,620	134	-	14,754
Year 4 (2003)	14,398	54	-	14,452
Year 5 (2004)	14,339	-	-	14,339
After 5 Years (2005+)	<u>82,748</u>	<u>-</u>	<u>-</u>	<u>82,748</u>
Total Future Lease				
Payments	\$ 157,110	\$ 555	\$ -	\$157,665
Less: Imputed Interest	<u>68,006</u>	<u>68</u>	<u>-</u>	<u>68,074</u>
Net Capital Lease				
Liability	<u>\$ 89,104</u>	<u>\$ 487</u>	<u>\$ -</u>	<u>\$ 89,591</u>
Liabilities Not Covered by Budgetary Resources				<u>\$ 89,591</u>

Note 17. Leases:
Operating Leases:

Description of Lease Arrangements: Operating leases cover USCG leases for real property with lease terms up to 20 years, a RSPA lease for the Transportation Safety Institute North Campus, and FAA leases for property, aircraft, equipment, and telecommunications.

Future Payments Due:

<u>Fiscal Year</u>	<u>Asset Category</u>			<u>Totals</u>
	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	
Year 1 (2000)	\$ 56,193	\$ -	\$ 324	\$ 56,517
Year 2 (2001)	46,353	-	324	46,677
Year 3 (2002)	38,753	-	248	39,001
Year 4 (2003)	31,282	-	201	31,483
Year 5 (2004)	24,001	-	201	24,202
After 5 Years (2005+)	<u>116,487</u>	<u>-</u>	<u>4,535</u>	<u>121,022</u>
Total Future Lease Payments	<u>\$ 313,069</u>	<u>\$ -</u>	<u>\$ 5,833</u>	<u>\$318,902</u>

B. ENTITY AS LESSOR:
Capital Leases:

N/A

Operating Leases:

Description of Lease Arrangements FAA leases Ronald Reagan Washington National and Washington Dulles International Airport to the Metropolitan Washington Airports Authority, the airports' sponsor. The lease took effect in March 1987 for \$3 million per year for a 50-year term. Subsequent annual rental payments are adjusted by applying the Implicit Price Deflator for the Gross National Product published by the Department of Commerce. Additionally, the parties may renegotiate the level of lease payments attributable to inflation costs every ten years. Upon lease expiration, the airports and facilities, originally valued at \$244 million, together with any improvements thereto, will revert to the Federal Government. In addition, FAA leases equipment to foreign governments and leases parcels of Government-owned land, generally for agriculture.

Note 17. Leases:

Future Projected Receipts:

Fiscal Year	Asset Category			Totals
	(1)	(2)	(3)	
Year 1 (2000)	\$ 4,295	\$ 90	\$ -	\$ 4,385
Year 2 (2001)	4,380	90	-	4,470
Year 3 (2002)	4,466	90	-	4,556
Year 4 (2003)	4,554	90	-	4,644
Year 5 (2004)	4,622	90	-	4,712
After 5 Years (2005+)	<u>150,401</u>	<u>-</u>	<u>-</u>	<u>150,401</u>
Total Future Operating Lease Receivables	<u>\$ 172,718</u>	<u>\$ 450</u>	<u>\$ -</u>	<u>\$173,168</u>

Note 18. Contingencies:

Legal Proceedings. FAA recognized liabilities of \$470.8 million for legal claims that have been asserted and are pending. Of this amount, \$56.2 million was estimated to be paid from agency appropriations and \$414.6 million to be paid from the permanent appropriation for judgments, awards, and compromise settlements (Judgment Fund) administered by the Department of Justice. The \$470.8 million is \$37.4 higher than the \$433.4 million that was recognized in FY 1998. The \$37.4 million difference was recognized as a FY 1999 expense. FAA's maximum exposure for loss for contingent liabilities associated with legal claims is \$14.8 billion.

Coast Guard has more than 2,700 pending or potential lawsuits and administrative actions that could result in liabilities to Coast Guard funds or the Judgment Fund, of which 2,646 claims are against the Oil Spill Liability Trust Fund, which exists for the purpose of administratively paying claims relating to oil spills. The \$45.3 million of net accounts receivable does not reflect the total amount billed for the massive oil spill caused by T/B Morris J. Berman off the coast of Puerto Rico in 1994. The USCG has incurred costs of approximately \$86.3 million to clean up that spill, of which only \$10 million has been recorded as an accounts receivable (of this amount, \$4.5 million has been collected). The USCG's policy on recognizing a receivable when the liability limit (in accordance with the Oil Pollution Act of 1990) has been reached, is to record the lesser of the incurred costs or the liability limit. The liability limit for the T/B Berman is \$10 million. However, the USCG is continuing to pursue legal remedies in this case. If a court subsequently orders payment by the responsible parties in excess of the liability limits, the additional amount will be recognized as both revenue and as a receivable at that time.

MARAD has over 562 pending lawsuits and administrative actions which could result in liabilities to MARAD funds or the Judgment Fund. Included among these claims are 448 claims alleging exposure to asbestos on MARAD vessels and over 95 seaman personal injury claims. The estimated amount of probable loss is \$100,750. Cases for which MARAD is unable to determine the likelihood of loss total about \$29.1 million.

STB recognized contingent liabilities in the amount of \$1.1 million for three cases considered to be remote as to probability of loss.

NHTSA has one litigation that is probable for settling in the amount of approximately \$25,000, and it is expected to be paid out of the Judgment Fund. There is another case that is reasonably possible. The amount is unknown, but could be in the six figures, if settled. This amount also would be likely to be paid out of the Judgment Fund.

Grant Programs. FHWA had a total of 2,471 authorized advance construction projects in the amount of about \$13.7 billion as of September 30, 1999. These projects have been initiated by the states, but have not gone through the formal authorization process. These projects could be obligated in the future through the normal project authorization process by the states.

FTA had Full Funding Grant Agreements in the amount of \$5.8 billion as of September 30, 1999. FAA has legal authority to issue Letters of Intent (LOIs) to enter into Airport Improvement Program (AIP) grants. These LOIs do not create obligations. FAA issued LOIs covering FY 1988 through FY 2010 in the aggregate amount of \$2.9 billion. FAA had obligated \$1.8 billion of this total amount from FY 1988 through FY 1999, leaving \$1.1 billion unobligated as of September 30, 1999. FAA anticipates obligating

Note 18. Contingencies:

\$149 million of this total in FY 2000. The FY 1999 AIP grant authority totaled \$1.95 billion, including over \$1 billion in entitlements to specific locations. The sponsors of these entitlements claimed all but \$136 million. This amount will be available from unused or newly enacted contract authority to those sponsors through FY 2001 or 2002 in the case of nonhub primary airport locations.

Contract Options and Negotiations. As of September 30, 1999, FAA had \$18.8 billion in unobligated contracts. The terms of those contracts give FAA the unilateral right to purchase additional equipment or services or to extend the contract terms. Exercising this right would require the obligation of funds in future years. In addition, FAA had a total of \$131.8 million in commitments (funds reserved for possible future obligations) under unexpired appropriations. The commitments were for purchases of goods and services for which contract negotiations have not been completed (i.e., agency obligations had not been incurred) at the end of FY 1999.

Return Rights Program. FAA contingent liabilities for the Return Rights Program decreased \$6 million from \$31.9 million in FY 1998 to about \$25.9 million in FY 1999. Because of evidence that the FY 1998 liability may have been overstated, the \$6.0 million decrease was treated as a prior period adjustment. The program covers temporary assignments for 2 to 4 years. At the beginning of FY 1999, approximately 518 employees who previously had accepted transfers to overseas or certain domestic locations were contractually entitled to a future return move at Government expense. The typical cost per move is \$50,000. The liability may be overstated because not every employee remaining in the program will exercise his or her right. If every employee in the program did exercise his or her right, the liability would be as follows:

FY 2000	\$ 8,600,000
FY 2001	11,900,000
FY 2002	5,350,000
FY 2003	<u>50,000</u>
	\$25,900,000

Aviation Insurance Program. FAA is authorized to issue hull and liability insurance under the Aviation Insurance Program for air carrier operations where commercial insurance is not available on reasonable terms where the operation to be insured is necessary to carry out the U.S. Government's foreign policy. No claims for losses were pending as of September 30, 1999.

FAA may issue: (1) premium insurance, for which a risk-based premium is charged to the air carrier; and (2) non-premium insurance. FAA maintains standby non-premium war-risk insurance policies for 48 air carriers having approximately 1,050 aircraft available for Defense or State Department charter operations. No coverage was extended during FY 1999.

FAA normally insures only a small number of air carrier operations at any time and establishes a maximum liability for losing one aircraft. In many cases, that maximum liability for both hull loss and liability is \$1 billion; but it is usually less, and because FAA can use its regulatory authority to stop flights to high-risk areas, and/or terminate insurance coverage, the range of possible liability to FAA in any year is assumed to be between zero and \$2 billion. Since inception of the program (including the predecessor, the Aviation War Risk Insurance Program, dating back to 1951), only four claims, ranging from \$626 to \$122,469, have been paid.

Note 19. Unexpended Appropriations:**A. Unexpended Appropriations**

(Dollars in Thousands)

(1) Unobligated	
a. Available	\$ 3,563,147
b. Unavailable	344,962
(2) Undelivered Orders	<u>6,486,562</u>
 Total	 <u>\$ 10,394,671</u>

Note 20. Gross Cost and Earned Revenue by Budget Functional Classification:

A. Gross Cost and Earned Revenue by Budget Functional Classification:

(Dollars in Thousands)

	<u>Gross Cost</u>	<u>Earned Revenue</u>	<u>Net Cost</u>
Functional Classification:			
054 Defense-Related Activities	\$ 217,485	\$ 24	\$ 217,461
304 Pollution Control and Abatement	176,542	43,048	133,494
401 Ground Transportation	28,586,099	179,923	28,406,176
402 Air Transportation	9,299,470	106,376	9,193,094
403 Water Transportation	4,903,225	571,246	4,331,979
407 Other Transportation	285,555	112,144	173,411
451 Community Development	1,794	-	1,794
808 Other General Government	<u>14</u>	<u>-</u>	<u>14</u>
Total	<u>\$ 43,470,184</u>	<u>\$ 1,012,761</u>	<u>\$ 42,457,423</u>

Note 21. Net Cost by Program:

Program Costs

(Dollars in Thousands)

1. Surface

Highway Surface Transportation	\$ 6,501,668
Mass Transit	4,129,125
National Highway System	4,044,667
Interstate Maintenance	3,556,494
Other Highway Programs	3,197,029
Bridge Program	2,154,118
Highway Minimum Guarantee	1,373,203
Congestion Mitigation and Air Quality	807,532
Highway Minimum Allocation	525,042
Highway Emergency Relief	455,808
Federal Railroad Administration Grants	243,723
Highway Research	231,628
Federal Lands Highways	226,120
Highway Planning	193,967
High Priority Projects	163,952
State Infrastructure Bank	157,331
Highway Reimbursable	77,267
Research and Special Programs Administration	75,906
National Highway Traffic Safety Administration	73,949
Rail Safety	61,075
Other Rail Programs	41,301
Rail Research	28,807
Northeast Corridor Improvement Program	26,144
Alameda Corridor	17,604
Surface Transportation Board	16,572
High Speed Rail	15,888
Alaskan Rehabilitation	<u>10,256</u>
Total Surface Program Costs	<u>\$28,406,176</u>

Note 21. Net Cost by Program:

2. Air

Air Traffic Services	\$ 5,080,742	
Airports	1,612,867	
Research and Acquisition	1,248,768	
Regulation and Certification	723,221	
Civil Aviation Security	152,317	
Commercial Space	6,119	
Other Federal Aviation Administration Programs	<u>370,868</u>	
Total Air Program Costs		<u>\$ 9,194,902</u>

3. Maritime

Coast Guard Operating Expenses	\$ 2,870,220	
Coast Guard Retired Pay	721,587	
Coast Guard Acquisition and Construction	517,943	
Maritime Security Program	100,987	
Maritime Operations and Training	88,373	
Coast Guard Environmental Compliance & Restoration	74,244	
Coast Guard Reserve Training	72,603	
Coast Guard Oil Spill Liability	59,249	
Coast Guard Boat Safety	53,543	
Other Coast Guard Programs	31,838	
Maritime Title XI Loan Program	29,428	
Maritime Vessel Operations Fund	26,817	
Maritime Ocean Freight Differential Program	16,131	
Maritime Ready Reserve Force	13,686	
Other Maritime Programs	<u>6,285</u>	
Total Maritime Program Costs		<u>\$ 4,682,934</u>

4. Cross-Cutting

Transportation Statistics	<u>\$ 254</u>	
Total Cross-Cutting Program Costs		<u>\$ 254</u>

Note 22. Taxes and Other Non-Exchange Revenue:

(Dollars in Thousands)

A. Taxes and Other Non-Exchange Revenue:

1. Gasoline, Fuel, Tires, etc.	\$39,292,607
2. Passenger Ticket Taxes	7,486,262
3. International Departure Taxes	1,484,443
4. Airway Fuel Taxes	1,012,870
5. Investment Income	735,960
6. Aquatic Resources Trust Fund Taxes	451,321
7. Way Bill Taxes	411,791
8. Oil Spill Liability Trust Fund Revenue	56,508
9. Fines and Penalties	8,615
10. Tax Refunds and Credits	(3,887)
11. General Fund Receipts	251
12. Misc. Non-Exchange Revenue	<u>3</u>

\$50,936,744

B. Other Information: Taxes are collected by the Department of the Treasury (Treasury) Internal Revenue Service for DOT's Highway Trust Fund, the Airport and Airway Trust Fund, the Aquatic Resources Trust Fund, and the Oil Spill Liability Trust Fund. These taxes can be withdrawn only as authorized by various DOT appropriations. Treasury estimates taxes to be collected each quarter and adjusts the estimates by actual collections. The adjustment for actual collections lags about six months after the estimate. Historically there has been a variance between the estimate and actual. Therefore, a precise determination of tax collections as of September 30, 1999, will not be available until March 2000.

Note 23. Prior Period Adjustments:

(Dollars in Thousands)

A. Prior Period Adjustments:

(1) Environmental Cleanup Cost Adjustments	\$ 1,683,881
(2) Property Adjustments	1,173,577
(3) Accrual Adjustments	(2,044,011)
(4) FAA Gain and Loss Adjustments	(192,698)
(5) FAA Airport Improvement Program Grant Adjustments	(155,667)
(6) Beginning Balance Adjustments	168,217
(7) USCG Accounts Receivable Reclassified	(31,704)
(8) FAA Sick Leave Compensation Correction	28,846
(9) Coast Guard Repair and Supply Center Expense Adjustments	(21,112)
(10) Grant Administration Transfers	14,990
(11) Woodrow Wilson Bridge Adjustments	14,818
(12) Inventory and Related Material Adjustments	(14,792)
(13) Other FAA Adjustments	57,349
(14) FRA Prior Year Receivable	2,192
(15) Federal Employees Compensation Act Adjustments	243
(16) Other Miscellaneous Adjustments	<u>3,186</u>
 Total	 <u>\$ 687,315</u>

B. Environmental cleanup cost adjustments resulted from implementation of new accounting policy in regard to recognition of cleanup costs. Property adjustments were due to property reconciliations and revaluations of assets. Inventory and related property adjustments relate to changes in inventory, operating materials and supplies, and field spares values.

Note 24. Statement of Budgetary Resources:

(Dollars in Thousands)

A. The Net Amount of Budgetary Resources Obligated for Undelivered Orders as of September 30, 1999:	\$	47,869,094
B. Available Contract Authority as of September 30, 1999:	\$	4,016,883
Available Borrowing Authority as of September 30, 1999:	\$	9

Repayment Requirements, Financing Sources for Repayment,
and Other Terms of Borrowing Authority Used:

Borrowing Authority pertains to FRA.

The FAA Aircraft Purchase Guarantee Program is funded under the authority to borrow from the U.S. Treasury granted by Congress in the DOT and Related Agencies Appropriation Act, 1983. Borrowing authority is implemented through a blanket promissory, which provides FAA with a line of credit for the full amount of borrowing authority granted through Congress. Because authorization for issuing new loan guarantees expired in 1988, FAA has not issued any new guaranteed loans. In FY 1999 FAA had an outstanding loan which was refinanced through an advance from Treasury, which is payable with interest on September 30, 2000. Although FAA has borrowing authority, it is seeking a liquidating appropriation to pay off the remaining note with Treasury and end the program.

C. Adjustments During FY 1999 to Budgetary Resources Available at the Beginning of the Year:	\$	(2,256,358)
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Cumulative Authorizations in Excess of	
Obligation Limitation	\$ (598)
Rescissions	(28,707)
Prior Year Recoveries	126,343
Temporarily Not Available	(2,147,628)
Cancellation of Expired Accounts	(52,871)
Permanently Not Available	(2,794)
Other Adjustments	<u>(150,103)</u>
Total Adjustments to Budgetary Resources	<u>\$ (2,256,358)</u>

Note 24. Statement of Budgetary Resources:

D. Existence, Purpose, and Availability of Permanent Indefinite

Appropriations:

FAA has permanent indefinite appropriations for the Facilities and Equipment, Grants-in-Aid, and Research, Development and Engineering appropriations in order to fully fund special projects that were on-going and spanned several years.

FRA has permanent indefinite appropriations to provide subsidy adjustments under the Credit Reform Act for potential defaults on direct loans to railroads. Availability extends throughout the life of the loan program.

E. Information About Legal Arrangements Affecting the Use of Unobligated Balances of Budget Authority, such as Time Limits, Purpose, and Obligation Limitations:

Annual appropriations provide for obligations in the year of apportionment. Unobligated amounts may be used for upward adjustments of existing obligations through the five-year expired status. Unobligated balances of no-year appropriations may be reapportioned each year.

F. Differences from the Balance Sheet, such as for Contract Authority:

HTF has unfunded contract authority of about \$52.3 billion, of which about \$33.0 billion is obligated and about \$19.3 is unobligated.

Note 25. Dedicated Collections:

(Dollars in Thousands)

	Aquatic Resources Trust Fund	Oil Spill Liability Trust Fund
Investments	\$ 1,140,278	\$ 1,025,831
Other Assets	<u>(5)</u>	<u>46,594</u>
TOTAL ASSETS	<u>\$ 1,140,273</u>	<u>\$ 1,072,425</u>
Liabilities Payable	\$ -	\$ 18,725
Other Liabilities	<u>19,206</u>	<u>111</u>
TOTAL LIABILITIES	<u>\$ 19,206</u>	<u>\$ 18,836</u>
TOTAL NET POSITION	<u>\$ 1,121,067</u>	<u>\$ 1,053,589</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,140,273</u>	<u>\$ 1,072,425</u>
NET COST	\$ (53,543)	\$ (59,249)
OTHER FINANCING SOURCES	165,321	31,365
OTHER CHANGES IN FUND BALANCE	<u>-</u>	<u>(31,704)</u>
TOTAL CHANGES IN FUND BALANCE	\$ 111,778	\$ (59,588)
BEGINNING NET POSITION	<u>1,009,289</u>	<u>1,113,177</u>
TOTAL NET POSITION	<u>\$ 1,121,067</u>	<u>\$ 1,053,589</u>

Highway Trust Fund and Airport and Airway Trust Fund dedicated collections are described in their stand-alone financial statements.

Note 26. Custodial Activity:

Revenue Activity:

(Dollars in Thousands)

Sources of Cash Collections:

Fines, Penalties and Forfeitures	\$ 68,339
Marine User Fees	16,010
Miscellaneous Receipts	1,535
General Fund Proprietary	1,523
USCG Registration and Filing Fees	757
Refunds, Recoveries & Cancelled Checks	1
Marine Inspections	2
FAA Collections	<u>21,831,535</u>

Total Cash Collections	\$ 21,919,702
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Accrual Adjustment	<u>306,585</u>
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Total Custodial Revenue	<u>\$ 22,226,287</u>
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Disposition of Collections:

Transferred to Others (by Recipient):

Treasury (General Fund)	\$ 21,919,702
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(Increase) Decrease in Amounts to be Transferred	<u>306,585</u>
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Net Custodial Revenue Activity	<u>\$ -</u>
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Note 27. Saint Lawrence Seaway Development Corporation:

(Dollars in Thousands)

Condensed FY 1999 Information:

Cash and Short-Term Time Deposits	\$	12,593
Long-Term Time Deposits		294
Accounts Receivable		152
Inventories		267
Property, Plant and Equipment		85,455
Deferred Charges		1,624
Other Assets		<u>526</u>

TOTAL ASSETS	\$	<u>100,911</u>
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Current Liabilities	\$	1,993
Actuarial Liabilities		<u>1,624</u>

TOTAL LIABILITIES	\$	<u>3,617</u>
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Invested Capital	\$	100,262
Cumulative Results of Operations		<u>(2,968)</u>

TOTAL NET POSITION	\$	<u>97,294</u>
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TOTAL LIABILITIES AND NET POSITION	\$	<u>100,911</u>
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